

## Message Text

UNCLASSIFIED

PAGE 01 MANAMA 01152 220739Z  
ACTION NEA-11

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08  
FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04  
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 L-03 H-02  
NSC-05 SS-15 STR-07 CEA-01 PA-02 INT-05 OES-07  
DOE-15 SOE-02 /150 W  
-----075768 220749Z /17

R 220525Z MAY 78  
FM AMEMBASSY MANAMA  
TO SECSTATE WASHDC 6183  
INFO AMEMBASSY ABU DHABI  
AMCONSUL DHAHRAN  
AMEMBASSY DOHA  
AMEMBASSY JIDDA  
AMEMBASSY KUWAIT  
AMEMBASSY LONDON  
AMEMBASSY MUSCAT  
USLO RIYADH

UNCLAS MANAMA 1152

E.O. 11652: N/A  
TAGS: EINV BA  
SUBJECT: MINISTER OF DEVELOPMENT ASSESSES GULF  
INDUSTRIALIZATION EFFORTS

1. GULF WEEKLY MIRROR MAY 20 REPORTED THAT MINISTER OF  
DEVELOPMENT AND INDUSTRY SHURAWI RECENTLY TOLD LONDON  
MEETING OF ALUMINUM PRODUCERS THAT, SO FAR, GULF STATES'  
INDUSTRIALIZATION EFFORTS ARE "CONSTRUCTIONS OF LUCK".  
ACCORDING MIRROR STORY, SHIRAWI SAID "THAT MAJOR GULF  
INDUSTRIES WERE BASED ON THE BIGGEST LIE OF ALL, THE  
FALSE SENSE OF SECURITY WHEN A WESTERN PARTNER SAYS HE WILL  
TAKE A 50 PER CENT SHARE IN THE PROJECT AND GUARANTEE  
THE MARKETING OF THE PRODUCT.  
"TO BEGIN WITH, HE GEARS HIS INVESTMENT SO THAT HE IS  
UNCLASSIFIED

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PAGE 02 MANAMA 01152 220739Z

COMMITTING FEW OF HIS OWN RESOURCES -- NO MORE THAN FIVE  
OR 10 PER CENT OF THE EQUITY. IT IS THE LOCAL GOVERNMENTS  
WHO GIVE ALL THE GUARANTEES.  
"EVEN MORE FARCICAL IS THE GUARANTEE OF MARKETING THE  
PRODUCT. OF COURSE HE WILL GUARANTEE THE MARKETING -- BUT  
NOT AT THE COST OF PRODUCTION. HE WILL UNLOAD IT AT  
PREVAILING PRICES, MINUS A CUT FOR HIMSELF."

2. SHIRAWI REPORTEDLY SAID THAT GULF STATES' ATTEMPTS AT DIVERSIFICATION, WHICH BEGAN ABOUT FIFTEEN YEARS AGO "WERE CONSTRUCTIONS OF LUCK AND HAPHAZARD DEVELOPMENTS, WITH LITTLE UNDERSTANDING OF WORLD MARKETS AND PAYING LITTLE ATTENTION TO LOCAL CONSTRAINTS.

"NO WONDER THESE INDUSTRIES UP AND DOWN THE GULF HAVE MET, AND ARE MEETING, GREAT DIFFICULTIES. THE ONLY TWO ADVANTAGES -- CHEAP ENERGY AND THE AVAILABILITY OF FINANCE -- ARE ERODED BY THE SEVERE CLIMATIC CONDITIONS AND THE HIGH COST OF LABOUR BASED ON LOW PRODUCTIVITY.

"PLANS WERE INITIATED EITHER BY BANKERS WITH LITTLE IDEA OF ENGINEERING, OR BY ENGINEERING FIRMS WITH LITTLE IDEA OF MARKETING."

3. TURNING TO ALUMINUM INDUSTRY ITSELF, AND SPECIFICALLY TO ALBA (ALUMINUM BAHRAIN), SHIRAWI SAID THAT PRICES RANGED FROM \$200 PER TON FOR ALUMINA TO \$13,000 A TON FOR FINISHED WINDOW FRAMES. HOWEVER, "WE ONLY SHARE IN ONE STEP IN THE INTEGRATION OF THE INDUSTRY, AND SMELTING IS NOT NORMALLY THE MOST PROFITABLE STEP." SHIRAWI WENT ON TO NOTE THAT ALBA'S TECHNICAL SUCCESS IN SMELTING OPERATIONS HAD LED TO THE MISTAKEN BELIEF THAT FINDING ENERGY AND FINANCE WERE THE ONLY PROBLEMS, OBSCURING LABOUR AND CLIMATE DIFFICULTIES. BUT SUCCESS HAD BEEN ACHIEVED BECAUSE OF LOW CONSTRUCTION COSTS, THE FACT THAT BAHRAIN HAD A CORE OF UNCLASSIFIED

UNCLASSIFIED

PAGE 03 MANAMA 01152 220739Z

TECHNICAL KNOWLEDGE THROUGH THE OIL INDUSTRY, AND THE PERSISTENCE OF THE BAHRAIN GOVERNMENT. THE GULF HAD THE RAW MATERIALS AND ENERGY TO BE COMPETITIVE IF THE RESOURCES WERE USED WISELY. HE CONCLUDES, ACCORDING TO MIRROR, THAT "WE FEEL THAT A WELL PLANNED PROJECT WHICH IS PART OF AN OVERALL ARABIAN PLAN MUST BE BUILT AND OPERATED WITH A RESPONSIBLE PARTNER WHO WILL INVEST A LOT OF HIS OWN RESOURCES AND INTEGRATE THE PRODUCT INTO HIS OPERATION.

"IF IT IS BUILT AT A TIME WHEN INFLATION IS WELL CONTROLLED IN THE GULF, THEN IT WILL BE VERY COMPETITIVE INDEED. BUT THAT TIME IS NOT YET. ALL THOSE INDUSTRIES UNDER CONSTRUCTION AT THE MOMENT ARE NOT GOING TO BE COMPETITIVE BECAUSE OF THE INFLATION OF THE PAST TWO TO THREE YEARS."

4. MIRIOR NOTED THAT ON HIS RETURN FROM LONDON SHIRAWI SAID HIS REMARKS THERE WERE IN AGREEMENT WITH THOSE OF UAE MINISTER OF FINANCE AND NATIONAL ECONOMY SHAIKH HAMDAN BIN RASHID WHICH HAVE BEEN REPORTED IN KUWAITI PRESS RECENTLY.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INDUSTRIAL DEVELOPMENT, DEVELOPMENT PROGRAMS, GULFS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 22 may 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
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**Disposition Comment:**  
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**Type:** TE  
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**Review Markings:**  
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